



February 19, 2004

Honorable Wesley Chesbro, Chair
Joint Legislative Budget Committee
Senate Budget and Fiscal Review Committee

Honorable Darrell Steinberg, Chair
Assembly Budget Committee

Honorable Dede Alpert, Chair
Senate Appropriations Committee

Honorable Judy Chu, Chair
Assembly Appropriations Committee

Control Section 4.10—Additional Reductions

On November 3, 2003, the Legislature was notified that the Department of Finance had completed its review of reduction plans and that the requirements of Control Section 4.10 would be met. In addition, a list was provided that contained changes to appropriations that would be implemented in a pending executive order.

The 2003 Mid-Year Spending Reduction Proposals included another \$150 million General Fund Control Section 4.10 reductions. The reference to Control Section 4.10 was intended to refer generally to additional expenditure reductions that could be identified during the year. This savings target will be accomplished through the following actions:

- The California Department of Forestry and Fire Protection will save \$5 million General Fund in the current year as the result of additional reimbursements owed by the federal government to California, which will offset General Fund expenditures.
- The California Student Aid Commission will save \$7 million General Fund and \$28 million General Fund in 2002-03 and 2001-02, respectively, based upon updated closeout activity.
- The Child Development Policy Advisory Committee (CDPAC) has savings of \$33,042 General Fund in 2002. The CDPAC was not funded in the 2003 Budget Act and these funds are no longer necessary.
- The Department of Child Support Services will save a net of \$1.7 million General Fund in the current year, primarily related to the reduction in the alternative federal penalty.
- The Department of Social Services will save \$34.7 million General Fund in the current year. Savings are predominantly due to updated caseload information in the CalWORKs, Kinship Guardianship Assistance Payment, Adoption Assistance, and Supplemental Security Income/State Supplementary Payment programs, and reductions in travel and contract expenditures. Additional savings are the result of reductions in project costs and delays in budgeted activities for the Child Welfare Services/Case Management System (CWS/CMS).

- The Department of Developmental Services will save \$15 million General Fund in the current year as a result of lower than estimated caseload and utilization in the Regional Centers.
- State spending for the Health Insurance Portability and Accountability Act will be reduced by an additional \$1.8 million General Fund in the current year. This funding will not be needed for HIPAA compliance contracts in the current year, and this reduction will not affect HIPAA compliance activities.
- Various departments will save at least \$60 million General Fund from the Contract, Equipment Acquisition, and Travel Ban and the Hiring Freeze in the current year, including at least \$10 million in the Department of Corrections.

Of the \$34.7 million in General Fund savings identified above in the Department of Social Services, \$18.2 million is needed to backfill the temporary loss of federal funding for the CWS/CMS. Although the United States Administration for Children and Families has suspended funding for the system, the system must continue to be maintained to allow the more than 16,000 county social workers to perform critical job functions to ensure the health and safety of approximately 200,000 children statewide. In some cases, instead of reducing appropriations for the identified savings, the identified savings will be used to offset unexpected program increases pursuant to Control Section 27(b). In other cases, the savings will be reverted before the next fiscal year.

If you have any questions please call Bob Sands, Principal Program Budget Analyst at (916) 445-3274.

Sincerely,

DONNA ARDUIN
Director

cc: Honorable Richard Ackerman, Vice Chair, Senate Budget and Fiscal Review Committee
Honorable Rick Keene, Vice Chair, Assembly Budget Committee
Honorable Joseph Dunn, Chair, Senate Budget and Fiscal Review Subcommittee No. 4
Honorable John Dutra, Chair, Assembly Budget Subcommittee No. 4
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